

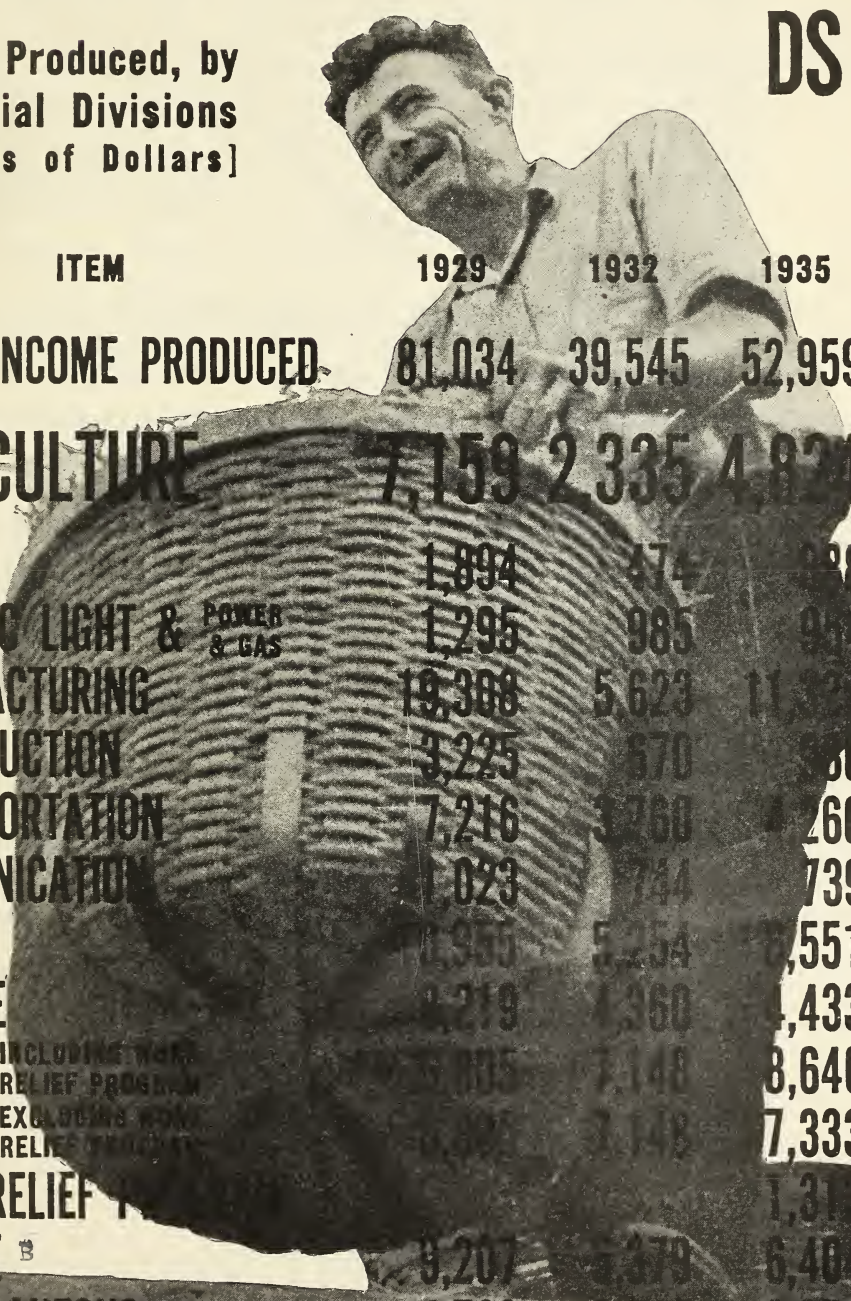
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WHAT SHOULD BE THE FARMERS' SHARE IN THE NATIONAL INCOME?

Income Produced, by
Industrial Divisions
[Millions of Dollars]

DS,1



ITEM	1929	1932	1935
TOTAL INCOME PRODUCED	81,034	39,545	52,959
AGRICULTURE	7,159	2,335	4,824
MINING	1,894	474	988
ELECTRIC LIGHT & POWER & GAS	1,295	985	951
MANUFACTURING	19,308	5,623	11,321
CONSTRUCTION	3,225	670	980
TRANSPORTATION	7,216	3,260	4,260
COMMUNICATION	1,023	744	739
TRADE	1,955	5,254	7,551
FINANCE	2,219	4,360	4,433
GOV'T, INCLUDING WORK RELIEF PROGRAM	3,805	7,148	8,646
GOV'T, EXCLUDING WORK RELIEF PROGRAM	3,805	7,148	7,333
WORK RELIEF PROGRAM			1,313
SERVICE	9,207	5,379	6,404
MISCELLANEOUS	4,728	2,813	2,954

This pamphlet is the first of the materials prepared for the assistance of rural discussion groups in 1936-37 through the cooperation of the Extension Service and the Agricultural Adjustment Administration of the U. S. Department of Agriculture. It is not intended to direct attention to any particular point of view or conclusion, and no statement contained herein should be construed as an official expression of the Department of Agriculture. The materials listed below attempt to present, in readable, non-technical language, discussions of issues related to rural life. Their contents are not offered as either complete or orderly presentations, but as collections of current facts and attitudes which may be of use to rural people who are thinking about these questions for themselves.

Materials have been prepared for the 1936-37 season on the following topics:

DS-1 What Should Be the Farmers' Share in the National Income?

DS-2 How Do Farm People Live in Comparison with City People?

DS-3 Should Farm Ownership Be a Goal of Agricultural Policy?

DS-4 Exports and Imports—How Do They Affect the Farmer?

DS-5 Is Increased Efficiency in Farming Always a Good Thing?

DS-6 What Should Farmers Aim to Accomplish Through Organization?

DS-7 What Kind of Agricultural Policy Is Necessary to Save Our Soil?

DS-8 What Part Should Farmers in Your County Take in Making National Agricultural Policy?

Two pamphlets on technique, intended primarily for the assistance of leaders of rural discussion groups and forums, are also available.

D-1 A Brief Guide to Methods (revised 1936).

D-2 How to Organize and Conduct County Forums (revised 1936).

United States Department of Agriculture

The Extension Service and the
Agricultural Adjustment Administration cooperating
(Photograph by Resettlement Administration)
December 1936

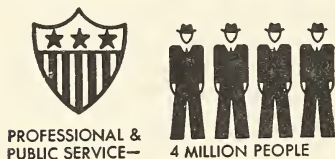
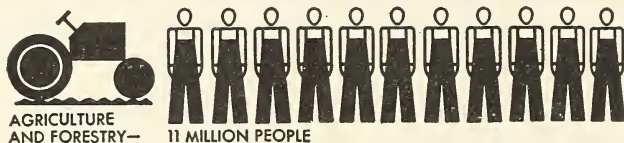
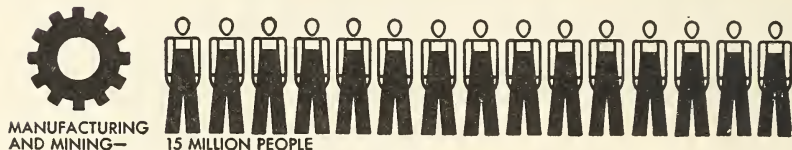
WHAT SHOULD BE THE FARMERS' SHARE IN THE NATIONAL INCOME?

Many people are concerned as to whether or not farmers are getting their share of the national income. The following questions call attention to a number of factors affecting farm income. Which do you regard as most important? Why? What about other factors?

1. How has the income from the crops you raise changed from year to year since the war?
2. Which changes were caused mostly by changes in price? Which by changes in production?
3. Did the prices paid by consumers for your products change as much as the prices you received for those products?
4. How much did middlemen's margins change?
5. What has been the farmers' share in the national income since the war?
6. Do farm families need as large incomes as city families?
7. Can you tell a great deal about the real value of money income without knowing the prices of the things it is used to buy? In recent years, how have prices of the things you buy compared with the prices of the things you sell?
8. What do you consider an adequate income for farmers? Would "parity income" be too much? too little?
9. What methods should farmers use to secure a fair share of the national income?
10. How much can be done by individual efforts? What should be the function of the Government?

THE AMERICAN PEOPLE— WHAT THEY DO

Each figure represents 1 million wage earners



SOURCE: 1930 CENSUS

Prepared by the Informational Service,
Social Security Board, Washington, D. C.
with the cooperation of Pictorial Statistics, Inc.

WHAT SHOULD BE THE FARMERS' SHARE IN THE NATIONAL INCOME?

Groups discussing the farmers' share in the national income approach the question from a variety of angles.

I Some groups are most interested in discovering the general facts about farm and national income: how large the national income has been during recent years, and what part has represented income from agriculture; how the farm part of the Nation's income has compared with the farm part of the Nation's population. They then go on to discuss whether recent changes in farm income have been due mainly to changes in price or mainly to changes in production; to changes in distributors' margins; to changes in city purchasing power, or to other changes.

II Some groups are less concerned with the share in the national income of farmers in general than with the share of farmers living in certain sections; of farmers as contrasted with city dwellers; of farmers on farms of low productivity as contrasted with farms of high productivity; of agricultural laborers as contrasted with farm operators.

III Some groups prefer to discuss the farmers' share in the national income in terms of goods rather than money. The chief matters that interest them concern the country's productive capacity, the extent to which it is used, and the extent to which it would have to be used if farm and city families were to have the things they need and want.

WHICH OF THESE GROUPS WOULD YOU CHOOSE TO JOIN if you were taking part in a discussion of the farmers' share in the national income?

Some groups start their discussions of the farmers' share in the national income by reviewing the figures, and reviewing just what they mean when they talk about the national income and the farmers' share in it.

WHAT IS NATIONAL INCOME?

NATIONAL INCOME, they agree, IS THE INCOME OF THE NATION AS A WHOLE. All the groups in the Nation chip in to make the national income. Factory workers chip in, professional people chip in, farmers chip in, and so on. The farmers' share in the national income is what agriculture contributes to the national income. That contribution is measured in dollars when we talk about national income in terms of dollars; in terms of goods when we talk about national income in terms of goods.

In discussions of income a sharp line has to be drawn between the income American farmers GET INDIVIDUALLY, that is to say, their yearly cash income plus the value of the products they raise and use right at home, and their CONTRIBUTION TO THE NATION'S INCOME. Any group's contribution to the Nation's income is less than its gross income because of deductions that have to be made to prevent overlapping. For instance, slices of gross farm income appear in the national total as the services of other groups of people, teachers, police, merchants, factory workers and others, whom farmers pay out of their gross income. When the income of the Nation is being discussed, the contribution of each occupational group has to be looked on as a part of the national whole.

WHAT ARE THE FIGURES OF THE NATIONAL TOTAL?

Groups that go in for a review of the figures notice that the national income rose from about 28 billion dollars in 1910 to nearly 66 billion dollars in 1920; that after a setback in the depression of 1921 it climbed to a new height of almost 80 billion dollars in 1929. Between 1929 and 1933 it dropped to 46 billions; in 1935 it was 56 billions.

WHAT PART CAME FROM AGRICULTURE?

They notice that agriculture's contribution to the changing total of national income was itself subject to change. In 1930, agriculture contributed 18.6 percent of the income of the Nation. In 1918 and 1919, the farm contribution reached a peak of 20.5 percent. During the early 1920's, it averaged just above 12 percent; after 1925, it declined, reaching a low of 7.5 percent in 1932. In 1935, it was 10.6 percent.

WHAT ARE THE FACTS BEHIND THESE FIGURES?

One point which is important in considering the contribution of any economic group to the income of the Nation is **THE RELATIVE NUMBER OF PEOPLE IN THAT GROUP**. It is a well-known fact that, until the depression, the number of people on farms was declining, while the number of people in towns and cities was growing. In every year but three, from the beginning of the World War until 1931, the population on farms was less than it had been the year before. This migration from farms to cities had its effect on the rural and urban contributions to the national income.

But the decline in farm contribution to national income that actually took place was proportionally much greater than the shift in numbers from farm to city. Even in 1910, the general contribution per person to the national income was \$306, as against a farm contribution per person of only \$163. During the 1920's, the farm average ran below the general average by over 55 percent. In 1932 it was 70 percent below. It was 59 percent below in 1935.

So it is necessary to look for facts and factors other than the changes in farm and city population to account for a good part of the changes in the farmers' share in the national income. The search for these facts and factors often starts lively discussions.

PRESSURE ON FARM PRICES

Most people agree that if you want to get at **THE CAUSES OF THE UPS AND DOWNS** of the farmers'

contribution to the national income in terms of dollars, there are two things you have to know about the commodities from which they produced that income. You have to know HOW MUCH THEY RAISED, and you have to know HOW MUCH THEY GOT FOR IT. Most people agree that the ups and downs of farm income since the war have been due more to changes in farm prices than to changes in farm production. During the 1920's farm production was pretty steady. The largest production that we had between 1909 and 1936 was only about a third above the pre-war average, while farm prices in 1919 were 225 percent above, and in 1932, 39 percent below their pre-war average. In the period 1933-36, however, income was affected by changes in production, some of which were due to acreage adjustment and some of which were due to weather.

But when the discussion turns to the question of what influence on prices has been most important in swelling or shrinking the farmers' income in recent years, agreement is less easy to reach.

WORLD MARKET QUOTATIONS

Some people insist that the chief cause of shifts in the farmers' contribution to the national income has been the changing demands that have affected world agricultural prices. They say it was the World War that pushed prices up from 1915-1919; that it was the declining world demand that took farm prices down during the 1920's, and piled up the carry-overs that broke prices again from 1929 to 1933; and that it was the effect of devaluation of the dollar that raised prices received by American farmers in 1933.

DISTRIBUTORS' MARGINS

Other people grant that foreign demand had a good deal to do with changes in the farmers' part in the national income, but insist that a second cause, of no less importance, is to be found right here at home. These people

point to the spread between prices paid by consumers for farm products and prices received by farmers for those same products; and inquire whether many of the farmers' recent difficulties are not to be found in that quarter. In 1913, the farmer received about 53 cents of every dollar that consumers spent on fifty-eight farm products, such as beans, butter, pork, milk, etc., that make up the chief food purchases of American families. During the War, his share rose to 60 cents. During the 1920's, it dropped back to between 44 and 48 cents. In 1932, he received only 33 cents. Since then, his portion has increased, but is still below the level of the 1920's, let alone the pre-war level.

WORKERS' PAYROLLS

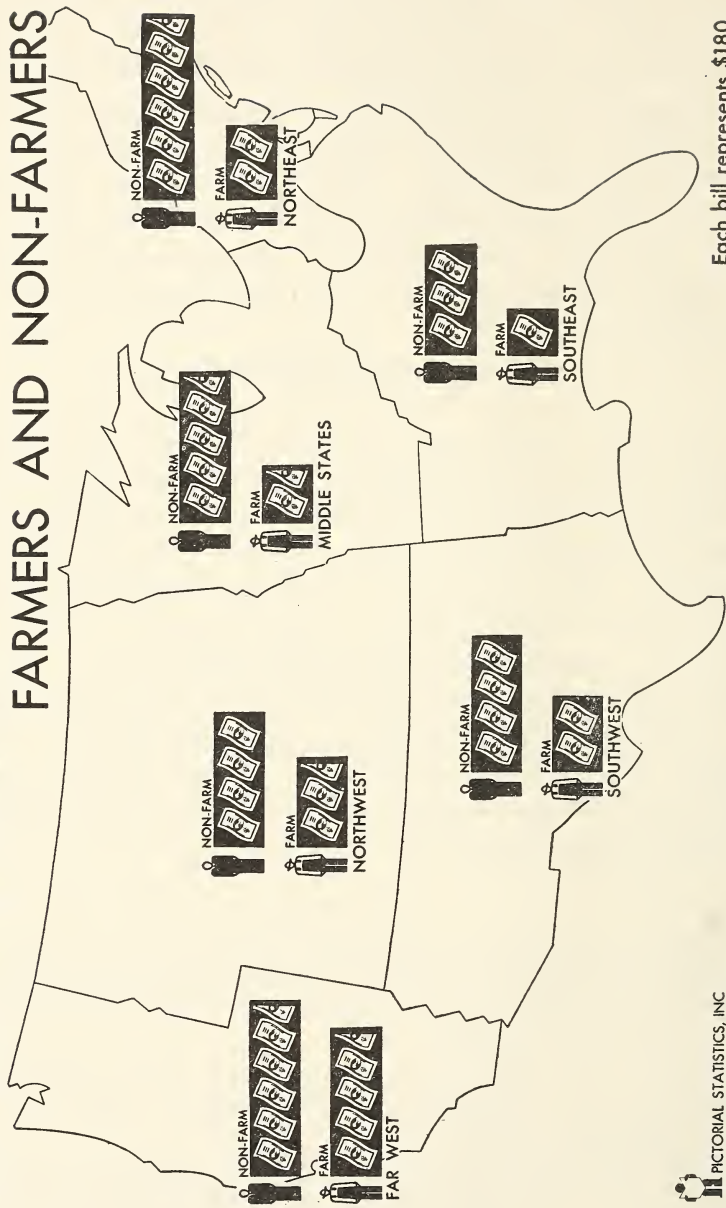
Still other people say that the demands of the foreign market and the commissions of the middleman both affect the farmers' capacity to contribute to the national income less than the demand of the domestic market. By consequence, they declare, the farmers' attention should be fixed on the wage levels of urban workers, and on the extent of employment among non-farm groups. Payrolls and farm returns from foodstuffs move up and down together. When unemployment or underemployment is widespread, the workers' contribution to the national income declines with their declining production, and a lowering of the farmers' part is sure to follow.

Which of the above factors do you think has been most important in affecting the income of American farmers in the years since the war?

Which of the above factors has been most important in affecting farm income from the principal crops and livestock products raised in your locality?

Can you name other factors that have had similar importance in changing the share of the farmers in the national income?

PER CAPITA INCOME OF FARMERS AND NON-FARMERS



Each bill represents \$180

Other groups say that for some purposes it's all very well to talk about the contribution to the national income of the average farmer, but when you come right down to Tom, Dick and Harry, you discover that the average man just doesn't exist. Some farmers contribute a much bigger than average share to the national income, and others a much smaller than average share.

INCOME BY REGIONS

Take regional differences, to begin with. These groups claim that if you're going to talk about average incomes, you can learn a lot more about where farm income is in this country if you take regional averages than if you take the national average. Of course, there are big variations between farmers in every region, but the fact remains that the average farm income on the Pacific Coast in 1929 was four and a half times as great as the average farm income in the South East, and almost three times as great as the average farm income in the Middle States.

FARM AND NON-FARM INCOME

The regional figures show the areas in which, on the whole, farmers are at an advantage or a disadvantage as compared with farmers in other areas. When they are contrasted with figures on non-farm income, they show the relative position of farmers and other folks who live right around them in the same section of the country. They show that the income of New England farmers in 1929 was not much more than a third of the income of non-farm New Englanders, and that a similar situation existed in the Middle States. Nowhere except in the far West did the income of the farm dweller approach the income of the non-farm dweller, and even there, per capita farm income was \$818 as compared with a per capita non-farm income of \$908. In other words, while there might be a good many city people who were at least as poor as the poorest farmers, there were also a good many city people whose incomes were way above the incomes of the top group of farmers.

NATIONAL DIFFERENCES IN FAMILY INCOME

Or if you don't want to go at the question on a regional basis, say the groups that are interested in breaking down general averages of income, look at the variations in income of different groups of families in the United States. If you take the 1929 income figures—which were a lot more cheerful than any figures have been since—the average income of the 27½ million family groups in the country was \$2,800. But we all know, many of us at first hand, that there were lots and lots of families that didn't have anything like \$2,800 in 1929. If you break the figures down, you find that 71 percent of all our families had less than \$2,500, and 21.5 percent had less than \$1,000. The 36,000 families with the biggest incomes had an amount equal to that of 12 million families with incomes under \$1,500. How many of these do you suppose were farmers?

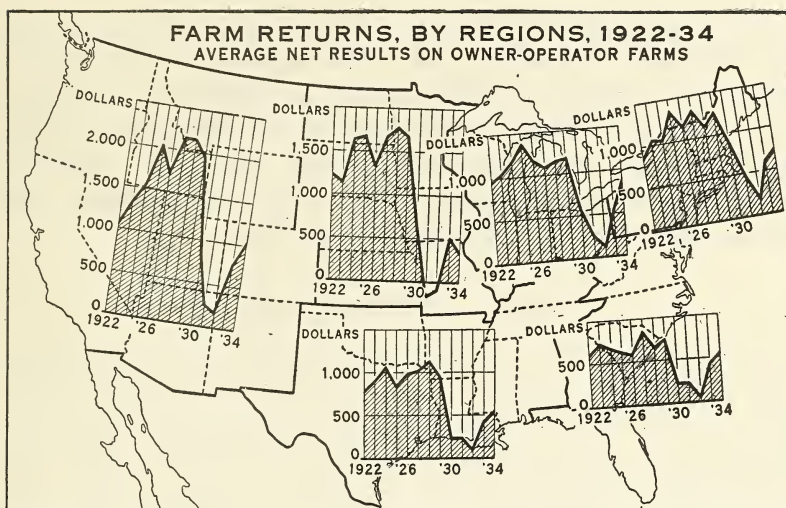
DIFFERENCES IN INCOME PER FARM

A hint as to the answer to that question—these groups pursue the subject one step further—can be picked up from the figures on the value of products grown on the farms of the country. They show that in the census year 1929 over one-fourth of the farms in the Nation raised less than \$600 worth of products, including products used by the family, and nearly half of the farms raised less than \$1,000 worth of products. Less than 10 percent of the farms of the country raised over \$4,000 worth of products.

INCOME ON THE AGRICULTURAL LADDER

Another way of getting at the capacity of different groups of farmers to contribute to the national income is to look at AVERAGE INCOME ON THE TOP AND THE BOTTOM RUNGS OF THE AGRICULTURAL LADDER.

The weighted average monthly wage rate paid to agricultural laborers who had work varied from \$40.52 in 1929 to \$19.17 in 1933 and \$23.45 in 1935; the total of cash wages paid was 955 million in 1929, 352 million in 1933 and about 405 million in 1935.



The above chart shows the average net results of owner-operators reporting to the Department of Agriculture.

When you take the trouble to sort your figures out a little, say the groups who are bent on seeing what is behind national averages, you begin to find out where different parts of the national income are located.

What are some of the main causes of regional differences in farm income? Does low buying power of farmers in one region affect the income of farmers in other regions? Does low buying power of farmers affect incomes of non-farm groups?

How adequate, in your opinion, are the wages received by farm laborers in your locality?

In your opinion, are fairly wide differences in family incomes a desirable or an undesirable feature of economic life?

How do you think the family income on low-income farms might be increased? How much land now in farms is incapable of producing an adequate living for the people farming it? What should be done about these areas?

Is it necessary to have parts of our farm lands operated on a business basis for cash income, and other parts operated on a subsistence basis? Is it desirable?

Some groups are of the opinion that talking about the national wealth and the national income in terms of money hardly touches the real problem. They insist that what matters is the Nation's wealth and income in terms of goods, and in terms of satisfaction or dissatisfaction of our people with where they work and where they live.

NATIONAL WEALTH IN GOODS

Such groups say, find out about the natural resources and the capital plant, the factories and farms, which produce the food, clothing, houses, automobiles and other equipment that go to make up what we like to call "THE AMERICAN STANDARD OF LIVING", and you will know more about national wealth than figures will ever tell you.

NATIONAL INCOME IN GOODS

Get down to brass tacks, these groups urge. If, when you look at the distribution of INCOME IN TERMS OF MONEY, a good many family incomes look mighty small, turn those incomes into goods and see how they look then. Take some of the figures quoted by the preceding groups, or some of the studies of how farmers' or workers' families spend their earnings—take your own budget, if you like—and make a list of the goods provided. Then make lists of the things that you think ought to be included in farm and city family livings. (What are the chief differences between the lists?) Look at the two lists, and you get an idea of national NEEDS IN TERMS OF GOODS.

OUR CAPACITY TO PRODUCE AND CONSUME

Now look at our national capacity to produce these things. Have we at present enough farms and factories to produce all the things people need? Are we using them fully? Have we enough manpower to produce the needed goods? Are we using it fully? Could the products be disposed of if we did? To what extent were our farms and

factories in full production before the depression? During the depression? This year? To what extent was our manpower used before the depression? During the depression? This year? **WHY ARE NEEDED GOODS NOT PRODUCED?** How can the purchasing power of the groups who would like to buy those goods be increased?

When you get into questions like those, say the groups that are interested in income in terms of goods, you are really getting somewhere. If you think of the farmers' share in the national income in terms of goods, it helps you to understand it in two ways. It helps you to see the Nation's income as a whole to which the farmer contributes his part, and you can figure, in terms of farm products, what that part ought to be. Then it helps you to think of farmers as one of the groups among whom the Nation's income is distributed, and you can figure, in terms of goods, **WHAT QUANTITIES THE FARMERS OUGHT TO HAVE** of the products contributed by other people to the Nation's income.

How much produce do you think American farmers ought to raise as their contribution to the Nation's income?

Should the amount farmers produce be related to the amount produced by other groups in the Nation's economy?

What do you think is the most practical way TO PROVIDE MORE OF THE GOODS THAT FARMERS AND OTHERS NEED BUT DO NOT HAVE AT PRESENT?

MORE ABOUT FARM AND NATIONAL INCOME

(Quantity prices may be secured on many of these publications)

- INCOME AND ECONOMIC PROGRESS. Public Affairs Committee, National Press Building, Washington, D. C. 1936. \$0.10.
- YOUR MONEY AND MINE, An Analysis of Our National Income. Maxwell S. Stewart. Foreign Policy Association, 8 W. 40th St., New York City. 1935. \$0.10.
- INCOME AND ECONOMIC PROGRESS. Harold G. Moulton. National Home Library Foundation, Washington, D. C. 1936. \$0.25.
- ECONOMIC PROGRESS WITHOUT ECONOMIC REVOLUTION. Harold G. Moulton. Falk Foundation, Farmers' Bank Building, Pittsburgh, Penna. 1935. Reprinted from *Fortune*, December 1935. Free.
- EXPANSION IN THE NATIONAL INCOME CONTINUED IN 1935. Robert R. Nathan. Reprint from the *Survey of Current Business*, July 1936. U. S. Department of Commerce, Washington, D. C. Free.
- DISTRIBUTION OF NATIONAL INCOME. The Index, v. XIV, No. 11, November 1934. The New York Trust Company, 100 Broadway, New York City. Free.
- AGRICULTURE'S SHARE IN THE NATIONAL INCOME. G-48. U. S. Department of Agriculture, Washington, D. C. 1935. Free.
- NATIONAL INCOME, 1929-1932. Simon Kuznets. Bulletin 49, June 7, 1934. National Bureau of Economic Research, 1819 Broadway, New York City. \$0.25.
- SLAVES OR MASTERS? Educational Research Project Fifteen. University of Chicago, Chicago, Ill. 1935. \$0.15.
- RICH MAN, POOR MAN. Chase, Fairchild, Overstreet. The People's League for Economic Security, 124 E. 40th St., New York City. 1935. \$0.15.
- WEALTH AND INCOME. American Liberty League, National Press Building, Washington, D. C. Document #98. Free.
- WHY ARE THERE RICH AND POOR? Abel J. Gregg. Association Press, 347 Madison Avenue, New York City. 1932. \$0.25.
- AMERICA IN THE DEPRESSION. Harry W. Laidler. League for Industrial Democracy, 112 East 19th Street, New York City. 1935. \$0.10.
- PLENTY, CAN MAN HAVE IT WITHOUT SHARING IT? Harper Leech. Unit study Booklet #8, Modern Problems Series, American Education Press, Columbus, Ohio. 1933. \$0.15.
- PRODUCTION STUDIES. (Interview with Harold Loeb.) *Plan Age*, Vol. I, No. 9, November 1935. 726 Jackson Place, Washington, D. C. \$0.20.
- SURVEY OF POTENTIAL CAPACITY. G. S. *Plan Age*, Vol. I, No. 1B, January 1935. 726 Jackson Place, Washington, D. C. \$0.20.
- THE FARM BUSINESS. Roman L. Horne. University of Chicago Press, Chicago, Ill. 1935. \$0.25.
- THE NATIONAL AGRICULTURAL PROGRAM IN RELATION TO THE NORTHEAST. Henry A. Wallace. U. S. Department of Agriculture, Washington, D. C. 1934. Free.
- INCOME FROM FARM PRODUCTION IN THE UNITED STATES IN 1935. U. S. Department of Agriculture, Washington, D. C. 1936. Free.
- AGRICULTURE'S SHARE OF THE NATIONAL INCOME. George M. Peterson. Giannini Foundation of Agricultural Economics. University of California, Berkeley, California. 1936. Free.
- INDUSTRIAL PRICES AND THEIR RELATIVE INFLEXIBILITY. Senate Document #13, 74th Congress, 1st Session. Superintendent of Documents, Washington, D. C. 1935. \$0.05.
- PRICE SPREADS BETWEEN THE FARMER AND THE CONSUMER. U. S. Department of Agriculture, Washington, D. C. 1936. Free.
- HOW WORKERS IN LARGE CITIES SPEND THEIR INCOMES. Labor Information Bulletin, September 1936. U. S. Department of Labor, Washington, D. C. Free.
- NATIONAL INCOME IN THE U. S. 1929-35. U. S. Department of Commerce, Superintendent of Documents, Washington, D. C. 1936. \$0.25.